

**OVERSIGHT BOARD OF THE FORMER  
COMMUNITY REDEVELOPMENT AGENCY  
OF THE CITY OF COMPTON**

**STAFF REPORT**

**DATE:           OCTOBER 31, 2012**

**TO:            THE HONORABLE CHAIR AND BOARD MEMBERS**

**FROM:         EXECUTIVE DIRECTOR**

**SUBJECT:   RECEIVE AND REVIEW THE DUE DILIGENCE REVIEW FOR THE  
              LOW AND MODERATE INCOME HOUSING FUND IN ACCORDANCE  
              WITH HEALTH AND SAFETY CODE SECTION 34179.5 AND  
              CONVENE THE PUBLIC COMMENT SESSION**

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**DISCUSSION**

Pursuant to Health and Safety Code Section 34179.5, each successor agency must employ a licensed accountant, approved by the county auditor-controller and with experience and expertise in local government accounting, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities. Health and Safety Code Section 34179.6 requires each successor agency to submit the Due Diligence Review to the oversight board for the oversight board's review and approval.

Each review must determine the net balance of the Low and Moderate Income Housing Fund (the "LMIHF") and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities as of June 30, 2012 (the "Due Diligence Review"). In summary, such amount is determined by determining the total value of assets and cash and cash equivalents in the LMIHF, and subtracting the following ("Restricted Assets"): (1) restricted funds, (2) assets that are not cash or cash equivalents, (3) amounts that are legally or contractually dedicated or restricted for the funding of an enforceable obligation, and (4) amounts that are needed to satisfy obligations that will be put on the Recognized Obligation Payment Schedule ("ROPS") for the current fiscal year. Also, the amount determined to be available for allocation to taxing entities includes the value of assets, cash and cash equivalents transferred after January 1, 2011 through June 30, 2012 by the former redevelopment agency or the successor agency to the city, another public agency or private person if an enforceable obligation to make that transfer did not exist. The Due Diligence Review documents the Restricted Assets and provides the respective amounts, sources and purposes for which the Restricted Assets should be retained.

**STATEMENT OF THE ISSUE**

The Successor Agency has engaged the accounting firm of Eadie & Payne, LLP and Vavrinek Trine Day & Co., LLP to conduct this Due Diligence Review. In addition, Successor Agency staff has received approval of this firm by the Los Angeles County Auditor Controller's office.

Upon receipt of the Due Diligence Review, the oversight board must convene a public comment session to take place at least five business days before the oversight board holds the approval vote. The oversight board also must consider any opinions offered by the county auditor-controller on the review results submitted by the successor agency.

Upon final approval of the Due Diligence Review, the oversight board must review, approve, and transmit the Due Diligence Review to the state department of finance (“DOF”) and the county auditor-controller. The oversight board may adjust any amount provided in the review to reflect additional information and analysis. The review and approval must occur in public sessions. The oversight board may request from the successor agency any materials it deems necessary to assist in its review and approval of the determination. As of October 1, 15 & 25 2012, Successor Agency staff has advised the Los Angeles County Auditor Controller and State Department of Finance of its intent to submit the final Due Diligence report to their office by on October 26, 2012.

The DOF must complete its review of the Due Diligence Review no later than November 9, 2012, and must notify the oversight board and the successor agency of its decision to overturn any decision of the oversight board to authorize a successor agency to retain Restricted Assets. The DOF must provide the oversight board and the successor agency an explanation of its basis for overturning or modifying any findings, determinations, or authorizations of the oversight board. The successor agency then has the option to meet and confer with DOF to discuss any modifications.

By December 1, 2012, the county auditor-controller must provide DOF a report specifying the amount submitted by each successor agency from the LMIHF, and specifically noting any successor agency that failed to remit the full required amount.

## **ANALYSIS**

Section 34179.5 also requires a similar review of all other funds and accounts held by the successor agency to determine unobligated balances available for transfer to taxing entities. The review for all other funds and accounts must be completed by December 15, 2012 and the county auditor-controller has an April 20, 2013 deadline to provide DOF the report specifying the amount submitted by each successor agency from all other funds and accounts, and specifically noting any successor agency that failed to remit the full required amount.

Upon full payment of the amounts determined in the Due Diligence Review and the subsequent review conducted for all other funds and accounts, payment of the “surplus” tax revenues due on July 12, 2012, and any unpaid or underpaid pass through payments owed for fiscal year 2011-12, DOF will issue to the successor agency, within five business days, a finding of completion of the requirements of Section 34179.6. Section 34179.6 empowers the oversight board to authorize a successor agency to retain the Restricted Assets.

## **FISCAL IMPACT**

The approval of this resolution will have no impact to the City of Compton General Fund.

The firm of Eadie & Payne, LLP and Vavrinek Trine Day & Co., LLP will perform the Due Diligence Review and the similar review of all other Successor Agency funds as required under Section 34179.5. The costs for these services are anticipated not to exceed \$25,000. The Oversight Board has approved these funds in ROPS 3, line item #155 and through the approval of Oversight Board resolution #5.

## **ENVIRONMENTAL IMPACT**

There will be no new environmental impact associated with adoption of the attached Resolution.

## **RECOMMENDATION**

Staff respectfully requests that the Oversight Board perform the following actions:

- 1) Receive and review the Due Diligence Review for the Low and Moderate Income Housing Fund pursuant to Health and Safety Code Section 34179.5; and
- 2) Convene the Public Comment Session

Respectfully Submitted,

**G. HAROLD DUFFEY**  
**EXECUTIVE DIRECTOR**

GHD: KSB: MLA

**RESOLUTION NO. 2012-011**

**A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY FOR THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON ACKNOWLEDGING THE RECEIPT OF THE REVIEW OF THE LOW AND MODERATE INCOME HOUSING FUND CONDUCTED PURSUANT TO HEALTH AND SAFETY CODE SECTION 34179.5**

**WHEREAS**, Pursuant to Health and Safety Code Section 34175(b) and the California Supreme Court's decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.* (53 Cal.4th 231(2011)), on February 1, 2012, all assets, properties, contracts, leases, books and records, buildings, and equipment of the former Community Redevelopment Agency of the City of Compton transferred to the control of the Successor Agency to the Community Redevelopment Agency (the "Successor Agency") by operation of law; and

**WHEREAS**, Health and Safety Code Section 34179.5 requires the Successor Agency to employ a licensed accountant, approved by the county auditor-controller, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities; and

**WHEREAS**, Health and Safety Code Section 34179.6 requires the Successor Agency to submit the results of the review conducted pursuant to Section 34179.5 for the Low and Moderate Income Housing Fund (the "LMIHF") and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities (the "Due Diligence Review") to the Successor Agency's Oversight Board (the "Oversight Board") for the Oversight Board's review and approval; and

**WHEREAS**, Pursuant to Health and Safety Code Sections 34179.6 and 34180(j), the Successor Agency submitted to the Oversight Board, the county administrative officer, the county auditor-controller, the State Controller and the Department of Finance ("DOF") the Due Diligence Review and a copy of the Recognized Obligation Payment Schedule ("ROPS"); and

**WHEREAS**, Pursuant to Health and Safety Code Section 34179.6(b), upon receipt of the Due Diligence Review, and at least five business days before the Oversight Board considers the approval of the Due Diligence Review, the Oversight Board must hold a public comment session (the "Public Comment Session") at which time the public has an opportunity to hear and be heard on the results of the Due Diligence Review and at which time the Oversight Board considers the opinions, if any, offered by the county auditor-controller on the results of the Due Diligence Review; and

**WHEREAS**, on October 1, 15 & 25, 2012, Successor Agency staff has notified the Los Angeles County Auditor Controller and State Department of Finance of its intent to submit the final Due Diligence report to their office on October 26, 2012; and

**WHEREAS**, upon final approval of the Due Diligence Review, the oversight board must review, approve, and transmit the Due Diligence Review to the state department of finance ("DOF") and the county auditor-controller. The oversight board may adjust any amount provided in the review to reflect additional information and analysis. The review and approval must occur in public sessions. The oversight board may request from the successor agency any materials it deems necessary to assist in its review and approval of the determination; and

**WHEREAS**, on October 31, 2012, the date of this Resolution, the Oversight Board will hold the Public Comment Session pursuant to Health and Safety Code Section 34179.6(b); and

**WHEREAS**, the DOF must complete its review of the Due Diligence Review no later than November 9, 2012, and must notify the oversight board and the successor agency of its decision to overturn any decision of the oversight board to authorize a successor agency to retain Restricted Assets. The DOF must provide the oversight board and the successor agency an explanation of its basis for overturning or modifying any findings, determinations, or authorizations of the oversight board. The successor agency then has the option to meet and confer with DOF to discuss any modifications; and

**WHEREAS**, by December 1, 2012, the county auditor-controller must provide DOF a report specifying the amount submitted by each successor agency from the LMIHF, and specifically noting any successor agency that failed to remit the full required amount.

**NOW, THEREFORE, THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY OF THE CITY OF COMPTON, HEREBY FINDS, DETERMINES, RESOLVE, AND ORDERS AS FOLLOWS:**

**Section 1.** That the above recitals are hereby true and correct and are a substantive part of this resolution.

**Section 2.** That The Oversight Board hereby acknowledges receipt and review of the Due Diligence Review.

**Section 3.** That the Oversight Board will convene public comment session for the review of the Due Diligence Review.

**Section 4.** Approval of this resolution will have no impact on the City of Compton's General Fund.

**Section 5.** That the officers and staff of the Oversight Board and the Successor Agency staff are hereby authorized and directed, jointly and severally, to do any and all things necessary to effectuate this resolution, including requesting additional review by the DOF and an opportunity to meet and confer on any disputed items, and any such actions previously taken by such officers and staff are hereby ratified and confirmed.

**Section 6.** That a certified copy of this resolution shall be filed in the offices of the Executive Director and the Successor Agency.

**ADOPTED** this \_\_\_\_ day of \_\_\_\_\_, 2012.

\_\_\_\_\_  
**CHAIRPERSON OF THE OVERSIGHT BOARD  
TO THE SUCCESSOR AGENCY TO THE  
COMMUNITY REDEVELOPMENT  
AGENCY OF THE CITY OF COMPTON**

**ATTEST:**

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**RHONDA RANGEL, DEPUTY CLERK  
LOS ANGELES COUNTY BOARD OF SUPERVISORS  
ACTING AS SECRETARY TO THE OVERSIGHT  
BOARD TO THE SUCCESSOR AGENCY TO THE  
COMMUNITY REDEVELOPMENT  
AGENCY OF THE CITY OF COMPTON**

STATE OF CALIFORNIA  
COUNTY OF LOS ANGELES  
CITY OF COMPTON: ss

I, Rhonda Rangel, Secretary to the Oversight Board to the Successor Agency to the Community Redevelopment Agency of the City of Compton, hereby certify that the foregoing resolution was adopted by the Board, signed by the Chairperson, and attested by the Secretary at the regular meeting thereof held on the \_\_\_\_ day of \_\_\_\_\_, 2012.

That said resolution was adopted by the following vote, to wit:

**AYES:        BOARD MEMBERS -**  
**NOES:        BOARD MEMBERS -**  
**ABSENT:     BOARD MEMBERS -**

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**RHONDA RANGEL, DEPUTY CLERK  
LOS ANGELES COUNTY BOARD OF SUPERVISORS  
ACTING AS SECRETARY TO THE OVERSIGHT  
BOARD TO THE SUCCESSOR AGENCY TO THE  
COMMUNITY REDEVELOPMENT  
AGENCY OF THE CITY OF COMPTON**